

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 19, 2018

Volume 11 Issue 13

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Flat	50% Long XIV

Tonight's Research Points

- The broad selling that saw SPX only decline slightly from a 50-day high used to suggest bearish implications, but those have not played out in recent times.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

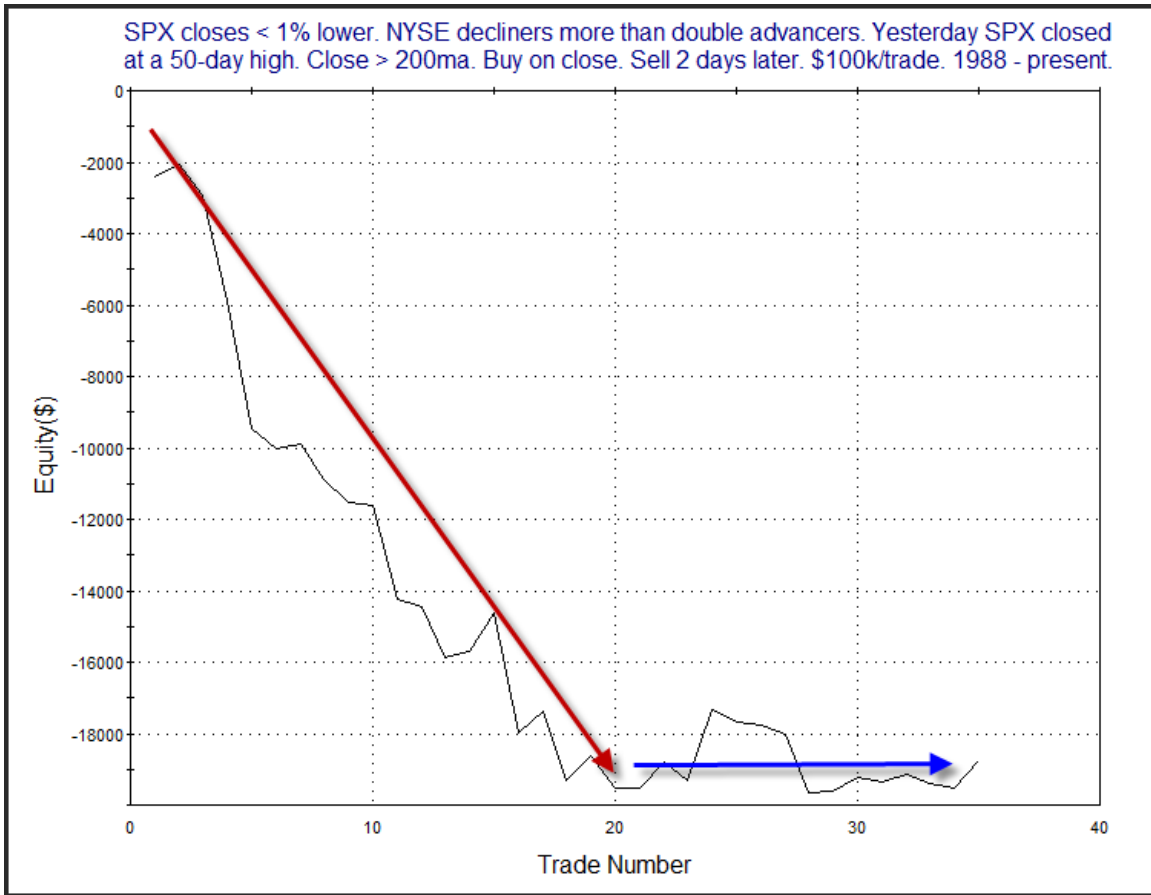
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 17, 2018	VIX up > 10%. SPX down < 1%	1-5 days	Bullish			
January 16, 2018	MLK & Jan Opex Week Weak	1-4 days	Bearish			
January 16, 2018	SPX 50-high. VIX up. Friday	1-5 days	Bearish			
January 10, 2018	SPX>Bollinger Band 4 days	1-8 days	Bullish	2.00%	-1.30%	-2.70%
Active - Long Term						
January 16, 2018	NASDAQ Leading	int term	Bullish			
January 11, 2018	5 up 50 high. Down 1.	1-10 days	Bullish			
January 8, 2018	1st 4 days of year close higher	1-250 days	Bullish	15.90%	-5.70%	-11.10%
January 8, 2018	SOMA reduction intensifies to \$20billion	int term	Bearish			
January 2, 2018	SPY 1st close < 10ma in 25+ days	1-19 days	Bullish	4.10%	-0.90%	-2.15%
November 30, 2017	SPX 50-intraday high. NDX big down 50	1-50 days	Bullish			
November 29, 2017	SPX breaks 50-day Upper Bollinger Band	1-50 days	Bullish	4.85%	-4.10%	-7.80%
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

The Evidence

Thursday saw mild pullbacks for the indices. The SPX fell 0.2%, the NASDAQ dipped 0.03%, and the Russell 2000 lost 0.6%. Breadth was strongly negative as the NYSE Up Issues % was 28% and the Up Volume % came in at 34%. NYSE volume declined some from Wednesday's level.

Interesting about Thursday's action was that the selling was very broad, but not very deep. This triggered a study from the 4/5/16 letter that considered similar action when coming off a 50-day high. While the study had previously suggested a bearish edge, that edge has failed to persist in recent times. This can be seen in the profit curve below.



So I have decided not to include this study on tonight's Active List. I will note that action was even more extreme than is described here. The selloff was especially shallow. In fact, in looking at other instances coming off 50-day highs where the NYSE Up Issue % was < 30% and the SPX held up better than a 0.25% decline, there was only one other instance since 1970. That occurred on 3/14/12. If I eliminate the 50-day high requirement, then there have been 17 instances, but the returns going forward were not consistent. So no new studies have been added to the Active List tonight.

I have updated the Aggregator chart below.



Without any new studies being added tonight the green Aggregator Line inched above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore, the Aggregator signal turned flat at the close.

Based on the current active list, expectations will remain bullish on Friday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2774.34 on Friday. That is 0.85% below Thursday's close. So SPX would need to close down at least 0.85% in order to flip from overbought to oversold versus recent expectations.

The lack of new evidence, the mixed studies from the last few days, and the neutral Aggregator leave me unenthused about taking on new index positions. I will remain patient and alert for the next strongly favorable trading opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 1/16– somewhat bullish*

The intermediate-term outlook was last updated in the 1/8/18 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

DUK –1/3 @ \$81.94 (bought 1/3 at limit)

DUK –1/3 @ \$79.28 (bought 1/3 at limit)

DUK –1/3 @ \$78.90 (bought 1/3 at limit)

Broad Market Large Cap CBI – 3(DUK-3)

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
DUK(1/3)	1/8/2018	\$81.94	\$78.41	-4.31%		Catapult
DUK(1/3)	1/12/2018	\$79.00	\$78.41	-0.75%		Catapult
DUK(1/3)	1/16/2018	\$78.90	\$78.41	-0.62%		Catapult

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 [can be found here](#).

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